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SUBJECT: CAMEROON'S ECONOMY MINISTER OUTLINES ECONOMIC
FRUSTRATIONS

¶1. (SBU) Summary: On May 28, Ambassador met with Minister of Economy, Planning and Regional Development Louis Paul Motaze. Motaze was frustrated with Cameroon's weak economic growth, poor budget implementation, and slow progress on major infrastructure projects. He blamed insufficient project preparation, cumbersome donor procedures, and private sector involvement. No one knows what is next for the stalled efforts to create a new national airline, CAMAIRCO, he said. He acknowledged finishing work on the national census but said it was awaiting presidential approval. End summary.

Frustrations about Slow Growth

¶2. (SBU) The global economic crisis has only exacerbated an economic situation which was not good to begin with and made economic reforms more urgent, Motaze said, noting that low oil prices would cost the government about 200 billion FCFA (roughly \$420 million) in lost revenues. He was frustrated with the lack of growth and the direction of the economy, which he blamed on a past emphasis on social sector development at the cost of investments to create wealth and employment. Motaze cited three economic priorities: agriculture, infrastructure development, and improving the business climate.

¶3. (SBU) Motaze was frustrated with Cameroon's poor investment budget implementation and slow movement on major infrastructure projects. (Note: Cameroon historically only spends about 75% of its investment budget each year. End note.) He blamed the budget problem on excessive studies required before spending allocated funds. The budget often contains many projects which have not been adequately studied and are therefore not ready for implementation, he said. He saw the need for an independent institution to help prepare studies for projects before they are put into the budget. Motaze also complained about what he saw as complicated and lengthy donor procedures. He also depicted as "dangerous" the fact that major infrastructure projects such as a proposed Kribi power plant are subject to private sector decisions.

CAMAIRCO Stalled

¶4. (SBU) Motaze had argued for private management of a new national airline CAMAIRCO and had supported U.S. company Lion Air. The Minister of Finance did not sign the Lion Air contract and many officials were unhappy that Motaze was involved with the company, the Economy Minister said. The Lion Air project fell through and the President has now ordered a restart of the process to move CAMAIRCO forward. Motaze was confident there is a market space for a Cameroonian airline but he recognized this is a difficult world environment to start an airline and professed "no one is sure what's next."

No Movement on Census

15. (SBU) When asked about the status of the long overdue census, Motaze said he had finished his work but "my bosses need to release it." He thought the presidency had balked at publishing the census because some information had been manipulated by "elites". He claimed that all current government planning is taking into account the latest census results.

Comment

16. (SBU) The IMF's latest (April 2009) forecast for Cameroon estimates 2.5 percent GDP growth, down from 3.4 percent in 2008, in a context of declining inflation and a population growth of about 3 percent. A recent Fitch report on Cameroon cites weak economic fundamentals, reflecting a low investment rate and insufficient absorption capacity, mostly attributable to weak public governance and exacerbated by the global economic situation. Minister Motaze comes across as one of the more informed and polished government ministers. Nonetheless, like so many other ministers, he leaves us with little in the way of ideas to jump-start progress in his portfolio - in his case, the economy - and puts too much of the blame for poor governance on donors and the private sector. It is not clear why there has been no movement on publishing the census - now at least a year overdue - but its absence seriously complicates any kind of development planning in Cameroon.

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17. (SBU) Motaze's criticism of social sector spending is intended as an implicit criticism of the dictates of the Highly Indebted Poor Country (HIPC) debt relief process, laying the blame for Cameroon's sluggish growth at the feet of donor interference. Unfortunately, this analysis is as widespread among GRC officials as it is wrong. Motaze and others say the GRC needs to invest more, and quickly, but they have not tackled the systematic and governance issues that left the investment budget underspent and poorly executed for the last several years. It does not matter what priorities the GRC sets; until they improve budget execution and effectiveness and improve the business climate, the impact will be limited and growth will continue to sputter.
GARVEY